

# Pitching for Cash

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# Cambridge in December



# My background

- Academic bio-medical research
- More than 30 years in technology transfer
- R&D and product development in a small UK biotechnology company and big US pharmaceutical company
- Clinical trials in a biomedical research foundation
- University and PSRE technology transfer offices
- University research in regional economic development
- 2007 Queen's Award for Enterprise Promotion

# Currently

- Patron (Founder), PraxisUnico
- Principal, Cambridge Knowledge Transfer
- Associate, Cambridge Enterprise
- (Senior Bursar, Gonville and Caius College, University of Cambridge)

# This talk

- Sources of Financing
- Raising Funds
- Valuation & Dilution
- Return to Investor

# Sources of Financing



- The team
- FF&F
- “Bootstrapping”
- Your university
- Customers
- Collaborators
- Grants / Loans
- Crowdfunding
- Peer-to peer
- Licensing
- Investors

# Financial Investors

- Angels
  - Entrepreneurs
  - Angel Groups
  - High net worth individuals (“Doctors and dentists”)
- Venture Capital



# How to find these people?

- Networking
  - Conferences, events, chambers of commerce,
- Professional advisors (lawyers, accountants, ...)
- Associations
- Intermediaries





# Raising Money



- Protect your intellectual property (IP)
- Create a website
- Form a legal entity
- Develop a management team
- Write a business plan (budget, forecasts, timeline, ...)
- Design communication materials
  - Presentation, business plan summary, “Elevator Pitch”, ...

# How will you spend the money?

• Patent legal & filing fees	75,000
• Corporate legal & accounting	25,000
• Engineering Design	50,000
• Computer & Design Equipment & Software	25,000
• Prototype Development	100,000
• Salaries	25,000
• Consultants	25,000
• Publications, Conferences	15,000
• Rent & office supplies	10,000

Total 350,000

# Timing

- When do you need the money?
- How much?
- Not too soon, not too late
- Allow time for building the relationship

# First Meeting

- Research the investor
- The pitch
  - Confident
  - Well rehearsed
  - Persistent
  - Listen
- Confidential?
- Ask questions
- Improve the presentation



# Your objectives for first meeting

- Get money?
- Advice
- Understand the investor
- Build your network
- Get their attention
- Develop credibility
- Get second meeting



# Meeting tactics

- Bring a colleague
- Prepare short and long presentation
- Take notes
- Rehearse Q&As
  - Why do you need the money?
  - How will you grow the business?
  - What would twice (or half) the money do?

# What are investors looking for?

- Management team
- Commitment
- Intellectual property
- Industry credibility
- Risk
- Milestones
- Return

# Valuation

- Pre-money
  - Who owns company?
  - Who owns IP?
  - Shares?
- What is company worth?

*What someone will pay!*



# Different valuations at different times

- Initially
  - IP, idea, entrepreneur track record
- Later
  - Management team
- When generating revenues
  - Multiple of revenue (P/E)
- On sale or floatation
  - market

# Dilution

- CEO offers you 5% of company that will one day be 100m
- Worth 5m?
- No – because of dilution
- After 1 year raise 700k for 35% of company
- Value of company now 2m
- $5\% = 100,000$ ?
- No – because of dilution

# Dilution (cont)

- If there were 1,000,000 shares before, then 538,462 new share issued
- 1,538,462 shares worth 2m
- 50,000 shares are 3.25%
- Each share is worth 1.3
- 50,000 are worth 65,000
- If now sell for 100m you get 3.25m
- BUT more dilution?

# Investor Return

- “Cash-on-cash”
- IRR (Internal Rate of Return)

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